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13 UNITED STATES DISTRICT COURT  
14 NORTHERN DISTRICT OF CALIFORNIA  
15 SAN FRANCISCO DIVISION  
16  
17

18 SUCCESSFACTORS, INC., a Delaware  
corporation,

19 Plaintiff,

20 v.

21 SOFTSCAPE, INC., a Delaware  
22 corporation; and DOES 1-10, inclusive,

23 Defendants.  
24  
25  
26  
27  
28

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E-filing

FILED

MAR 11 2008

RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

E-filing

Case No. CV 08-1376 EDL

**DECLARATION OF ROBERT BERNSHTEYN  
IN SUPPORT OF PLAINTIFF'S *EX PARTE*  
APPLICATION FOR A TEMPORARY  
RESTRAINING ORDER AND ORDER TO  
SHOW CAUSE RE PRELIMINARY  
INJUNCTION**

Date:  
Time:  
Dept:  
Judge:

Date of Filing: March 11, 2008  
Trial Date: No date set

1 I, Robert Bernshteyn, hereby declare:

2 1. I am Vice President, Global Product Marketing and Management, and have been  
3 employed at SuccessFactors, Inc. ("SuccessFactors") since June 2004. I make this declaration of  
4 my own personal knowledge, except to any extent otherwise specified. If called as a witness, I  
5 could and would testify competently to the facts set forth herein.

6 2. SuccessFactors is a publicly-traded company headquartered in San Mateo,  
7 California that provides businesses of various sizes, industries, and geographies with  
8 performance and talent management software that enables businesses to manage effectively their  
9 workforce and maximize employee productivity. SuccessFactors' system provides many  
10 benefits compared to traditional human resources systems. Unlike traditional paper-based  
11 processes, custom-built systems, third-party systems, or point applications designed to address  
12 specific needs, SuccessFactors' software solution is available on-demand and is accessible to  
13 customers via the internet. SuccessFactors uses, and has used, its trademark,  
14 SUCCESSFACTORS, its distinctive SuccessFactors logo, and other SUCCESSFACTORS-  
15 based marks to promote, advertise, and otherwise market its products and services (the  
16 "SUCCESSFACTORS Marks"). As a consequence of SuccessFactors' extensive sales,  
17 marketing, and advertising in interstate commerce, the SUCCESSFACTORS Marks have  
18 become well known among consumers as an identifier of SuccessFactors' products and services.  
19 The SUCCESSFACTORS Marks have come to be identified with SuccessFactors as the source  
20 of such services. As a result, SuccessFactors believes that these marks have become valuable  
21 assets of SuccessFactors and principal symbols of its extensive goodwill.

22 3. On March 5, 2008, I learned that a confidential email attaching a 43-page  
23 PowerPoint Presentation had been sent out over the internet under a fictitious name, "John  
24 Anonymous," using an anonymous email account, hcmknowledge2008a@gmail.com. The  
25 Presentation utilized on an old PowerPoint template that I created for SuccessFactors in August  
26 2004 that was in use until approximately late 2005. Attached as Exhibit 1 is a true and correct  
27 copy of an email that was sent to one of SuccessFactors' customers attaching the Presentation.  
28 The exhibit is confidential and is being submitted under seal.

1           4. I along with many other members of SuccessFactors' management team have been  
2 forced to divert significant time, energy and resources from our normal business activities to  
3 address the uncertainty and confusion caused by the Presentation. I estimate that I have spent at  
4 least 40 hours of my time attempting to contain the fallout. Other members of my staff as well as  
5 sales personnel have spent collectively hundreds of hours in response.

6           5. We immediately launched an investigation to determine the author of the  
7 Presentation. We attempted to review the metadata associated with the Presentation, but since it  
8 had been saved as a PDF file on the date that it was sent, all metadata was stripped.

9           6. Based on review of log records, our investigative team determined that someone  
10 from Softscape, Inc.'s offices in Wayland, Massachusetts, and London, England, had gained  
11 access to our ACE sales demo environment. SuccessFactors issues passwords and numbers for  
12 each of its numbered ACE demo accounts. We do not permit access by our competitors because  
13 we consider the information within the sales demos to be confidential, proprietary and  
14 competitively sensitive.

15           7. I along with other employees have spent considerable hours reviewing the content of  
16 the emails and presentations that SuccessFactors' customers and prospects have reported were sent  
17 to them by John Anonymous. We can confirm that at least 25 customers and prospective customers  
18 received copies, including Lehman, RJR, GameStop, Noble Corp., B&H Photo, News Corp.,  
19 Arrow Electronics, Harris Williams, Winn-Dixie, Investment Technology Group, Inc., SRA  
20 International, US Xpress Enterprises, Panduit, First Data, Conway Freight, City of Arlington, CA  
21 Dept of Corrections, Levi, Scholastic, FNFG Independent Consultant, Callaway Golf, Australia  
22 Post, Spotless, National Australia Bank, Barclay's and Deutsche Bank AG.

23           8. The email and Presentation taken separately and collectively attack the corporate  
24 integrity of SuccessFactors. The cover email says: "If you are thinking of purchasing from  
25 SuccessFactors, please read the following document; it provides information about  
26 SuccessFactors which they do not want you to know." The title of the Presentation claims to  
27 provide "The Naked Truth," implying that SuccessFactors is not being candid with its customers.

28     ///

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1           9.       A major attack for a large portion of the Presentation is the utterly false claim that  
2       “many of SuccessFactor’s [sic] customers are dissatisfied, have left them and are not listed on  
3       their website.” On slides 4-7 and 13-22, the author appears to have simply reviewed the  
4       customers page from SuccessFactors’ corporate website at two points in time and presumed that  
5       any customers that were not listed when the page was last updated on or about February 28, 2008  
6       were no longer customers. He or she then makes the further leap that these former customers left  
7       due to dissatisfaction. This is itself a seriously flawed presumption without any basis in fact. In  
8       fact, many customers are not listed for reasons completely unrelated to any customer  
9       dissatisfaction.

10           10.       A group of customers—including, for example, Merrill Lynch, among others—  
11       purchased products like our “Employee Appraiser” CD-based software (which has been superseded  
12       by SuccessFactors’ hosted solutions), while others, including, for example, Apple Computer,  
13       purchased our “Manager’s Edition” product (which is a hosted-solution intended for an individual  
14       user). SuccessFactors has elected to not list Employee Appraiser and Manager’s Edition customers  
15       on its website anymore. Their “disappearance” from the site is no indication of loss of the  
16       customer.

17           11.       Other customers may no longer be listed for any of the following reasons:

18               a.       Merger/acquisition (*e.g.*, Reebok, Peregrine Systems, Portal Software,  
19       Hibernia National Bank, Dovebid, Inc., Nalco, ACMI Corp, Portal Software, Inc., KMC Telecom  
20       Holdings, Inc., Symbol Technologies, Inc., Riggs National Corporation, Varian Inc., Meta Group,  
21       BMG Columbia House, Inc., Macromedia, Inc., Internet Security Systems, BrassRing);

22               b.       Customer asked to be removed from SuccessFactors’ website for reasons  
23       unrelated to product performance, for example, some companies have a corporate policy that  
24       precludes any reference or endorsement of vendors; or

25               c.       Financial difficulties.

26           12.       I am aware of examples where a customer had to terminate but remains a very  
27       favorable reference. Bank of America, for example, is listed as a “dissatisfied” customer on slide  
28       22 of the Presentation, but Bank of America left because of a Human Resources Outsourcing

1 contract that was in place when it acquired Fleet Boston. They did not want to leave our service  
2 and acted as a reference when SuccessFactors made its sale to Wachovia. Similarly, Reebok—  
3 listed as “dissatisfied” customer on slide 17—is another highly referenceable customer that left us  
4 only after being acquired.

5 13. The Presentation also lists MasterCard as “dissatisfied,” yet it too is a highly  
6 referenceable customer.

7 14. On the second slide, the Presentation claims to be “a compilation of the facts from  
8 Successfactors [sic] customers.” However, the document contains a series of objectively false  
9 statements that fall under two general categories: (1) statements about our customers and customer  
10 satisfaction, and (2) statements about our products and their capabilities. In the following  
11 paragraphs, I give examples of both. The list is meant to be illustrative and is not exhaustive.

12 15. The Presentation contains the following false or misleading statements about our  
13 customers:

14 a. On slide 2, the author of the Presentation falsely claims that this is  
15 “a compilation of the facts from Successfactors customers,” when, as explained above, the  
16 Presentation presents neither facts nor is it from true customer records;

17 b. Slide 2 further states that “lack of corporate integrity” is “why many of us  
18 have left them”—again suggesting this the Presentation is authored by a customer, when, in fact, it  
19 appears to have been authored by a competitor;

20 c. On slide 3, the author falsely claims that “63% of Their 2005 Customers  
21 Left Them by 2008,” when, in fact, SuccessFactors enjoys annual retention rates of 90% or  
22 higher, and even using the methodology set forth in the Presentation, SuccessFactors’ true  
23 customer attrition was far less than half the figures claimed during the period identified;

24 d. On slide 3, the author falsely asserts that “1 out of 2 customers leave  
25 Successfactors [sic] within 2-3 years;” in reality, SuccessFactors enjoys annual retention rates of  
26 90% or higher and SuccessFactors’ true customer attrition was far less than half the figure  
27 claimed;

28 ///



1 e. On slide 4 and slides 13-22, the Presentation states that “[m]any of  
2 SuccessFactor’s [sic] Customers are Dissatisfied, have left them and are Not Listed on their  
3 Website Anymore,” when, as noted above, many of the unlisted customers did not leave as a  
4 result of dissatisfaction and still speak highly of SuccessFactors;

5 f. On slide 8, the author claims that “after 6 months Sears pulled the plug on  
6 the entire project,” when, in fact, Sears remains a valued and important customer.

7 16. In addition to these examples of false or misleading claims about our customers,  
8 the Presentation also contains a series of false and misleading statements about our products and  
9 services. For example:

10 a. On slide 11, the Presentation asserts that “Successfactors [sic] can’t handle  
11 situations where an employee changes their positions and manager during the year,” when, in  
12 fact, SuccessFactors has a functionality specifically designed for this situation called the  
13 “manager change engine;”

14 b. On slide 23, in asserting that SuccessFactors’ consulting costs are too high,  
15 the author claims that SuccessFactors has “440 consultants” spread across its customer base  
16 when, in fact, it has fewer than half this number;

17 c. On slide 24, the author asserts that customer data is not secure because it is  
18 “mixed with others,” when, in fact, all customer data is stored in separate and secure database  
19 table schemas with high security in an approach has been validated by top banks and security  
20 specialists;

21 e. On slide 28, the Presentation claims SuccessFactors adds new features  
22 “without asking you if you want it,” but, in fact, approximately 95% of enhancements are  
23 delivered on an “opt-in” basis;

24 f. On slide 31, asserting that SuccessFactors’ “Ultra” functionality is a  
25 “scam” when in fact that functionality not only offers advantages and best-in-class technology,  
26 but has been widely acclaimed by third party industry observers; and

27 ///

28 ///

1 g. On slide 41, the Presentation suggests that users are required to scroll  
2 through long forms, when in fact SuccessFactors includes a feature that allows the user to tab  
3 through the pages rather than scroll.

4 17. As a result, I and other employees of the company have had to redirect our efforts to  
5 combat the falsehoods, misstatements and disparaging assertions included in the Presentation. We  
6 have incurred significant costs in having to reassure our customers, prospects and the market that  
7 this Presentation is nothing more than a smear campaign to disrupt our customer relations and sales  
8 efforts.

9 18. Attached as Exhibit 2 is a true and correct copy of a confidential email dated  
10 March 5, 2008 from a prospective customer electing not to license our software after receiving a  
11 copy of the Presentation. The exhibit is confidential and is being submitted under seal.

12 19. On March 6, 2008, I along with our CFO, Bruce Felt, and other members of our  
13 staff, spent several hours speaking with customers, prospects and analysts in an effort to rebut the  
14 misinformation and uncertainty caused by the Presentation. We were unable to convince at least  
15 one analyst from writing a note entitled "'John Anonymous' Circulates a Criticism of  
16 SuccessFactors" that was published on Friday, March 7, 2008. The analyst reduced  
17 SuccessFactors' price target from \$15 to \$12. Attached as Exhibit 3 is a true and correct copy of  
18 the report from JMP Securities dated March 7, 2008.

19 20. Attached as Exhibit 4 is a true and correct copy of a second report from JMP  
20 Securities dated March 10, 2008, in which the analyst confirmed false information with a  
21 SuccessFactors customer identified in the Presentation, but retained the lowered price target.

22 21. Attached as Exhibit 5 is a true and correct copy of statements being made in the  
23 marketplace and posted on electronic bulletin boards, such as Yahoo!.

24 22. Attached as Exhibit 6 is a true and correct copy of a confidential email  
25 communication from a large potential prospect calling the Presentation "disturbing" and asking  
26 Plaintiff to respond to the issues raised therein. The exhibit is confidential and is being submitted  
27 under seal.

28 ///

1 I declare under penalty of perjury under the laws of the United States of America and the  
2 State of California that the foregoing is true and correct, and that this declaration was executed  
3 this 11th day of March, 2008, in San Mateo, California

4  
5  
6   
Robert Bernshteyn

1281609

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16  
17 SAN FRANCISCO DIVISION

18 SUCCESSFACTORS, INC., a Delaware  
19 corporation,

Plaintiff,

20 v.

21 SOFTSCAPE, INC., a Delaware  
22 corporation; and DOES 1-10, inclusive,

23 Defendants.

Case No. CV 08-1376 EDL

**MANUAL FILING NOTICE**

Date:

Time:

Dept:

Judge:

Date of Filing: March 11, 2008

Trial Date: No date set

24  
25 Regarding: **CONFIDENTIAL EXHIBITS 1, 2, AND 6 TO THE DECLARATION OF ROBERT**  
26 **BERNSHTEYN IN SUPPORT OF PLAINTIFF'S *EX PARTE* APPLICATION FOR**  
27 **A TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE**  
28

1 This filing is in paper or physical form only, and is being maintained in the case file in the  
2 Clerk's office.

3 If you are a participant on this case, this filing will be served in hard-copy shortly.

4 For information on retrieving this filing directly from the court, please see the court's main  
5 web site at <http://www.cand.uscourts.gov> under Frequently Asked Questions (FAQ).

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11 ☒ Item Under Seal

12 ☐ Conformance with the Judicial Conference Privacy Policy (General Order 53).

13 ☐ Other (description): \_\_\_\_\_

14  
15 Dated: March 11, 2008

FENWICK & WEST LLP

16  
17 By: 

18 Patrick E. Premo

19 Attorneys for Plaintiff SUCCESSFACTORS, INC.

20 1281731

**EXHIBIT 2**

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14  
15 Dated: March 11, 2008

FENWICK & WEST LLP

16  
17 By: \_\_\_\_\_

18 Patrick E. Premo

19 Attorneys for Plaintiff SUCCESSFACTORS, INC.

20 1281731







Patrick Walravens  
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 415-835-8943

On Demand Software – Update

March 7, 2008

## SuccessFactors, Inc. <sup>(1,3)</sup>

"John Anonymous" Circulates a Criticism of SuccessFactors

### MARKET OUTPERFORM

SFSF \$7.91

Price	\$7.91	FY: Dec	2007A	2008E	2009E	
Target Price	\$12.00	Revenue (M)	1Q	\$12.4	\$21.2	\$33.2
52-Wk Range	\$7.91 - \$14.99		2Q	\$15.0	\$23.4	\$35.7
Shares Out. (M)	49.7		3Q	\$16.7	\$26.6	\$41.2
Market Cap. (M)	\$393.1		4Q	\$19.2	\$31.1	\$48.0
Average Daily Vol. (000)	57		FY	\$63.4	\$102.4	\$156.2
Float (M)	10.7					
Secular Growth Rate	—			2007A	2008E	2009E
		EPS	1Q	(\$0.34)	(\$0.41)	(\$0.40)
LT Debt (M)	\$0.0		2Q	(\$0.40)	(\$0.44)	(\$0.40)
LT Debt/Total Cap.	0.0%		3Q	(\$0.48)	(\$0.41)	(\$0.37)
Net Cash/Share	\$1.77		4Q	(\$0.49)	(\$0.38)	(\$0.40)
			FY	(\$1.73)	(\$1.64)	(\$1.56)
			P/E	NM	NM	NM
		Previous FY	—	NC	NC	NC
		CY	(\$1.73)	(\$1.64)	(\$1.56)	
		P/E	NM	NM	NM	NM

NC indicates no change to previous estimate. NE indicates no previous estimate.

Source: Company reports and JMP Securities

### INVESTMENT HIGHLIGHTS

- We maintain our Market Outperform rating on SuccessFactors, but reduce our price target from \$15 to \$12 in light of the compression in the on demand comparables. SuccessFactors is the leading vendor of on demand performance and talent management solutions. On Tuesday evening an unknown person using an anonymous gmail account circulated a 43-page presentation titled "SuccessFactors – Failures and Problems." The presentation is highly critical of SuccessFactors and includes descriptions of problems allegedly experienced by several customers including Sears, Regions Bank, IntelSat, ICMA Retirement, and Harris Williams. SuccessFactors is aggressively disputing the claims made in the presentation. A SuccessFactors spokesperson commented to us that "The document is false and defamatory, and we are pursuing legal action." While some of the critical claims certainly seem to be exaggerated or unfounded, the descriptions of specific customer problems are harder to dismiss without independent analysis. As a result, we reserve final judgment until we have had a chance to conduct some independent due diligence. We look for non-GAAP EPS of (\$1.64) in 2008 versus the consensus of (\$1.66). We look for non-GAAP EPS of (\$1.56) in 2009 versus the consensus of (\$1.53). SuccessFactors trades at a 2009 EV/Revenue of 2.0x versus the peer group median of 2.5x. Our new \$12 price target implies a 2009 EV/revenue multiple of 3.4, about a 10% premium to the peer group median of 3.1x, which we believe is justified given SuccessFactors' industry-leading growth rate.

**FOR DISCLOSURE AND FOOTNOTE INFORMATION, REFER TO THE JMP FACTS AND DISCLOSURES SECTION**

J | M | P

**INVESTMENT RISKS**

A number of risks could prevent SuccessFactors from achieving our price target. First, SuccessFactors has incurred significant losses including \$21 million in 2005, \$32 million in 2006, and \$49 million in the first nine months of 2007. Much of the losses were due to investments in sales and marketing to grow the business. Sales marketing expenses were 127% of revenue in 2005, 99% in 2006, and 112% in the first nine months of 2007. The business model also affects the profitability because costs are generally incurred up front, while the revenue is generally recognized ratably over the life of the contract. Second, over the past few years, SuccessFactors has operated in a period of decreasing US unemployment rates and a strong domestic economy. If unemployment begins to rise and the US economy enters a recession, there is a risk that some of the urgency around SuccessFactors' solutions may fade and the company may see lengthening sales cycles, which would be likely to negatively impact operating results. Third, SuccessFactors sells into a highly fragmented and price competitive HR market with relatively low barriers to entry.

**COMPANY DESCRIPTION**

SuccessFactors is a provider of on-demand performance and talent management software solutions that enable organizations to optimize the performance of their people. The company has over 1,400 customers across over 60 industries, with more than two million end users in over 150 countries using the application suite in 18 languages. The customer base has organizations with as few as three and as many as 85,000 end users.

FIGURE 1: SuccessFactors Revenue Drivers

	2007				2008E				2009E							
	2006	Q1	Q2	Q3	Q4	2007	Q1	Q2	Q3	Q4	2008E	Q1	Q2	Q3	Q4	2009E
Revenue	32,570	12,391	15,004	16,744	19,211	63,350	21,230	23,477	26,600	31,075	102,382	33,222	36,739	41,220	46,020	156,201
% y/y	160%	97%	127%	101%	70%	95%	71%	56%	59%	62%	62%	56%	52%	59%	48%	53%
Billings	59,712	16,843	21,790	27,638	45,735	112,006	28,564	35,532	43,938	66,000	174,034	44,100	53,295	65,265	95,875	258,535
% y/y	118%	116%	100%	95%	70%	88%	70%	63%	59%	44%	56%	54%	50%	49%	45%	49%
Change in deferred revenue	27,142	4,452	6,786	10,894	26,524	48,656	7,334	12,056	17,338	34,825	71,652	10,878	17,558	24,045	49,855	102,334
Total Customers	850	1,003	1,167	1,400	1,750	1,750	1,930	2,115	2,375	2,750	2,750	2,940	3,135	3,435	3,835	3,835
Net New Customers	509	153	164	233	350	900	180	185	260	375	1,000	190	195	300	400	1,085
Revenue / Customer	38.3	12.4	12.9	12.0	11.0	48.1	11.0	11.1	11.2	11.3	44.6	11.3	11.4	12.0	12.0	40.7
Billing / Customer	70.2	16.8	18.7	19.7	26.1	81.3	14.8	16.8	18.5	24.0	63.3	15.0	17.0	19.0	25.0	67.4

Sources: Company reports and JMP Securities

Source: Company reports and JMP Securities

FIGURE 2: SuccessFactors Income Statement  
Non-GAAP

Non-GAAP	2007					2008E					2009E					
	2006	Q1	Q2	Q3	Q4	2007	Q1	Q2	Q3	Q4	2008E	Q1	Q2	Q3	Q4	2008E
Revenue	32,570	12,391	15,004	16,744	18,211	63,350	21,230	23,477	26,600	31,075	102,382	33,222	35,739	41,220	46,020	156,201
y/y growth	150%	97%	127%	101%	70%	95%	71%	56%	59%	62%	62%	56%	62%	68%	48%	53%
Cost of revenue	14,307	4,988	5,816	6,339	8,639	26,894	9,200	9,500	9,700	10,000	38,400	10,700	11,300	11,500	12,000	45,500
Gross profit	18,263	7,393	9,388	10,405	10,272	37,456	12,030	13,977	16,900	21,075	63,982	22,522	24,439	29,720	34,020	110,701
Gross margin	56%	60%	63%	62%	53%	59%	57%	60%	64%	68%	62%	66%	68%	72%	74%	71%
Operating Expenses:																
Sales & marketing	31,966	13,408	15,420	19,209	20,657	68,694	23,200	27,000	29,000	32,000	111,200	34,000	36,000	40,000	46,000	156,000
% of revenue	98%	108%	103%	115%	108%	108%	109%	116%	109%	103%	109%	102%	101%	97%	100%	100%
Research & development	10,545	3,511	3,580	4,017	5,104	18,212	5,500	5,600	5,700	5,800	22,600	6,100	6,200	6,300	6,400	25,000
% of revenue	32%	28%	24%	24%	27%	28%	26%	24%	21%	19%	22%	18%	17%	15%	14%	16%
General & administrative	7,188	2,514	4,493	5,368	5,527	17,902	5,400	5,400	5,400	5,500	21,700	5,600	5,700	5,800	5,900	23,000
% of revenue	22%	20%	30%	32%	29%	28%	25%	23%	20%	18%	21%	17%	16%	14%	13%	15%
Total operating expenses	49,699	19,433	23,493	28,584	31,288	102,808	34,100	38,000	40,100	43,300	155,600	45,700	47,900	52,100	58,300	204,000
Operating income (loss)	(31,436)	(12,040)	(14,107)	(18,189)	(21,016)	(66,352)	(22,070)	(24,024)	(23,200)	(22,225)	(91,619)	(23,176)	(23,461)	(22,380)	(24,280)	(93,299)
Operating margin	-97%	-97%	-94%	-109%	-109%	-103%	-104%	-102%	-87%	-72%	-89%	-70%	-66%	-54%	-53%	-60%
Gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income (expense)	372	(56)	(231)	(169)	(367)	(823)	1,000	1,100	1,100	1,100	4,300	1,000	1,000	1,000	1,000	4,000
Pre-tax income (loss)	(31,064)	(12,096)	(14,338)	(18,358)	(21,383)	(66,175)	(21,070)	(22,924)	(22,100)	(21,125)	(87,219)	(22,176)	(22,461)	(21,380)	(23,280)	(89,299)
Income taxes	(42)	(26)	(31)	(61)	(305)	(425)	-	-	-	-	-	-	-	-	-	-
Income tax rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(31,106)	(12,124)	(14,369)	(18,419)	(21,688)	(66,600)	(21,070)	(22,924)	(22,100)	(21,125)	(87,219)	(22,176)	(22,461)	(21,380)	(23,280)	(89,299)
Fully Diluted Shares Outstanding	32,957	35,415	35,616	38,668	43,855	38,463	51,800	52,260	53,510	54,760	53,070	55,520	56,580	57,770	58,540	57,110
Non-GAAP EPS	\$ (0.94)	\$ (0.34)	\$ (0.40)	\$ (0.48)	\$ (0.49)	\$ (1.73)	\$ (0.41)	\$ (0.44)	\$ (0.41)	\$ (0.39)	\$ (1.64)	\$ (0.40)	\$ (0.40)	\$ (0.37)	\$ (0.40)	\$ (1.56)
Source: Company reports and JMP Securities																

Source: Company reports and JMP Securities

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FIGURE 3: SuccessFactors Balance Sheet

	FY06				FY07			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Assets</b>								
Current assets:								
Cash and cash equivalent	15,281	13,005	10,047	7,702	4,202	22,574	17,875	26,172
Marketable securities								
Accounts Receivable	2,456	3,195	4,565	9,432	4,889	9,357	12,833	22,804
Deferred commissions short term	421	278	453	484	534	969	1,377	2,532
Prepaid expense and other current assets	485	581	738	1,355	2,411	2,771	3,388	1,038
Total Current Assets	18,643	17,059	15,803	18,973	12,036	35,671	35,273	52,546
Restricted cash	134	144	152	295	303	559	872	934
Property and equipment, net	648	1,083	1,260	1,442	1,810	2,140	2,281	3,082
Deferred commissions	182	314	424	1,039	-	-	-	3,115
Other assets	110	5	2	3	3	839	939	1,087
Total Assets	18,717	18,805	17,841	21,752	14,252	39,309	39,365	60,744
<b>Liabilities, convertible preferred stock, and stockholders' deficit</b>								
Current:								
Accounts payable	734	874	1,329	803	1,727	2,000	1,884	1,808
Accrued expenses and other current liabilities	2,680	3,863	4,838	1,808	5,576	6,945	8,710	2,400
Accrued employee compensation				6,802				11,568
Deferred revenue	8,898	7,830	9,382	14,143	28,634	30,945	36,784	42,023
Current portion of capital obligations	98	128	130	107	83	61	36	38
Total current liabilities	10,410	12,725	15,778	23,283	34,020	39,951	47,224	57,633
Capital lease obligations, net of current portion	81	193	159	128	118	106	98	90
Long-term debt	-	-	-	-	-	-	-	9,711
Deferred revenue, non-current	5,389	6,128	7,343	11,069	-	-	-	10,331
Convertible preferred stock warrant liability	-	-	-	-	-	1,242	1,218	1,496
Other long-term liabilities	-	-	-	-	-	-	-	289
Total liabilities	15,809	18,853	23,122	34,458	34,138	41,299	48,540	70,550
<b>Commitments and contingencies</b>								
Convertible preferred stock	20,387	20,383	20,383	20,383	20,383	45,288	45,289	45,289
Stockholders deficit								
Common stock	4	4	4	4	5	5	6	6
Additional paid in capital	511	573	637	728	1,046	1,252	1,473	1,758
Notes receivable from stock holder	(6)	(8)	(8)	(8)	(78)	(9)	(13)	(8)
ATA	-	-	-	-	-	3	2	9
Accumulated deficit	(17,087)	(21,393)	(26,656)	(33,813)	(41,242)	(48,533)	(55,952)	(65,859)
Total stockholders deficit	(16,580)	(20,824)	(26,023)	(33,089)	(40,289)	(47,282)	(54,484)	(64,095)
Total liabilities, convertible preferred stock and stockholders' deficit	19,636	18,412	17,482	21,752	14,252	39,313	39,345	60,744
<b>Key Metrics:</b>								
Cash	15,415	13,149	10,189	7,997	4,505	23,133	18,547	27,108
Total Debt	15,415	13,149	10,189	7,997	4,505	23,133	18,547	17,395
Net Cash	12,297	13,958	16,725	25,212	26,634	30,945	36,784	52,564
% q/q	1,456	1,681	2,767	8,487	1,422	4,311	5,839	16,570
Change in Deferred Revenue								
Net Cash / share								
Source: Company reports and JMP Securities								

FIGURE 4: SuccessFactors Statement of Cash Flows

	2004			2005			2006			2007			2008			2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Operating Activities</b>																		
Net income	(5,293)				(20,820)			(32,048)	(12,818)	(18,363)	(20,181)	(28,291)	(75,454)	(22,870)	(24,824)	(24,100)	(23,325)	(95,119)
Adjustments to net income:																		
Depreciation and amortization	108				432			868	333	500	544	796	2,173	300	300	300	300	1,200
Loss on retirement of equipment	-				6			-	-	-	-	196	156	2,000	2,000	2,000	2,000	8,000
Amortization of deferred commissions	657				1,019			2,042	734	860	1,016	1,453	4,083	2,000	2,000	2,000	2,000	8,000
Stock-based compensation	75				211			817	450	578	1,613	1,777	4,418	2,000	2,000	2,000	2,500	8,500
Amortization of debt issuance costs	-				-			-	-	-	-	-	-	-	-	-	-	-
Adjustment to fair value of warrants	-				-			-	98	99	103	1,916	1,916	-	-	-	-	-
Amortization of intangibles	-				-			-	(53)	1,317	48	1,200	2,510	-	-	-	-	-
Issuance of preferred stock warrants	-				-			-	-	-	-	-	-	-	-	-	-	-
Gain on extinguishment of debt	-				-			-	-	-	-	-	-	-	-	-	-	-
<b>Changes in Assets and Liabilities</b>																		
Accounts receivable	(3,723)				(3,272)			(13,372)	2,394	(3,280)	282	(18,864)	(18,288)	2,500	(2,500)	(2,500)	(3,000)	(15,500)
Deferred commissions	(963)				(2,821)			(6,266)	(977)	(1,853)	(2,309)	(5,123)	(9,988)	(2,500)	(2,500)	(3,000)	(3,000)	(17,000)
Prepaid and other current assets	(9)				(227)			(654)	(415)	(187)	531	(1,236)	(1,306)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Other assets	(1)				1			(1,241)	(8)	(88)	(588)	388	(286)	-	-	-	-	-
Accounts payable	113				408			805	1,100	1,334	1,038	(1,881)	1,791	1,500	1,500	1,500	1,500	6,000
Accrued expenses	834				482			875	380	1,837	1,348	550	4,185	1,500	1,500	1,500	2,500	10,000
Accrued compensation	1,216				3,913			4,964	(3,317)	849	2,892	6,475	6,999	7,334	12,058	17,338	34,925	71,852
Deferred revenue	3,917				14,371			27,142	4,452	6,788	10,894	26,524	48,656	10,878	17,558	24,045	48,855	102,334
Other long-term liabilities	-				-			-	235	383	835	(183)	1,270	(8,238)	(11,468)	(6,463)	(2,100)	(28,267)
Net cash provided by operating activities	(2,468)				(6,945)			(13,911)	(7,203)	(6,918)	(2,092)	(12,258)	(28,468)	(2,000)	(2,000)	(2,000)	(2,500)	(10,000)
<b>Investing activities</b>																		
Restricted cash	(121)				(168)			(839)	(48)	(104)	(185)	307	(30)	(2,000)	(2,000)	(2,000)	(2,500)	(10,000)
Capital expenditures	(271)				(1,197)			(2,102)	(1,519)	(1,016)	(1,345)	(1,585)	(5,475)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Purchase of available-for-sale securities	-				-			-	(2,205)	(500)	(500)	(8,513)	(11,218)	(2,000)	(2,000)	(2,000)	(2,500)	(10,000)
Sale of available-for-sale securities	-				-			-	125	1,765	110	715	2,705	(2,000)	(2,000)	(2,000)	(2,500)	(10,000)
Net cash used by investing activities	(392)				(1,365)			(2,741)	(3,847)	(135)	(1,420)	(9,088)	(14,018)	(2,000)	(2,000)	(2,000)	(2,500)	(10,000)
<b>Financing activities:</b>																		
Proceeds from convertible preferred stock, net	4,938				8,442			24,905	65	122	188	4,852	5,227	(11,236)	(13,488)	(7,463)	(4,100)	(38,207)
Proceeds from exercises of stock options	20				51			144	-	-	20	-	20	82,274	71,038	57,570	50,108	48,008
Proceeds from stock warrants	-				-			70	-	-	-	-	10,000	71,038	57,570	50,108	48,008	9,741
Proceeds from debt	-				-			10,000	(19)	(1)	(7)	(9)	-36	2,341	(5,364)	(4,398)	3,476	(2,788)
Proceeds from IPO, net of offering	(3)				(133)			(107)	(19)	(1)	(7)	(9)	-36	(7,500)	(7,500)	(7,500)	(7,500)	(30,207)
Principal payments on capital lease obligations	-				-			-	-	-	-	-	-	(0.22)	(0.26)	(0.14)	(0.07)	(0.68)
Repayment of loan obligation	-				-			-	48	121	10,337	88,037	94,941	-	-	-	-	-
Net cash (used in) provided by financing	4,961				8,360			35,813	48	121	10,337	88,037	94,941	-	-	-	-	-
Effect of exchange rate on cash and cash equivalents	-				-			-	2	4	21	20	47	(11,236)	(13,488)	(7,463)	(4,100)	(38,207)
<b>Net increase in cash</b>	2,084				1,050			18,470	(10,802)	(8,658)	6,846	66,716	56,102	(7,500)	(7,500)	(7,500)	965	7,875
<b>Cash at beginning of period</b>	4,508				6,652			7,702	26,172	15,370	8,712	15,558	26,172	9,741	2,241	(5,364)	(4,398)	3,476
<b>Cash at end of period</b>	6,652				7,702			26,172	15,370	8,712	15,558	82,274	82,274	2,341	(5,364)	(4,398)	3,476	(2,788)
<b>Free Cash Flow</b>	(2,756)				(7,142)			(16,913)	(8,722)	(7,934)	(3,437)	(13,850)	(33,943)	(7,500)	(7,500)	(7,500)	965	7,875
<b>Free Cash Flow Per Share</b>	(2.80)				(4.90)			(6.85)	(0.25)	(0.22)	(0.09)	(0.32)	(0.86)	(0.14)	(0.13)	0.02	0.13	(0.12)

Source: Company reports and JMP Securities



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PNC Financial Services Group Inc., PNC, \$58.15, Not Rated; Regions Financial Corp., RF, \$19.97, Not Rated; Sears Holding Corporation, SHLD, \$93.49, Not Rated; SuccessFactors, Inc. (1,3), SFSF, \$7.91, Market Outperform;

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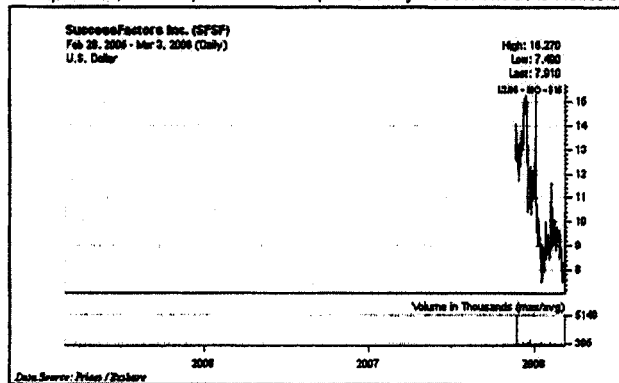
Sell (S): JMP Securities views the stock as a source of funds

**JMP Securities Research Ratings and Investment Banking Services: (as of March 4, 2008)**

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Rating	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
Strong Buy	Buy	0	31	13%				
Market Outperform	Buy	1	107	47%	Buy	138	60%	1
Market Perform	Hold	0	83	36%	Hold	83	36%	0
Market Underperform	Sell	0	9	4%	Sell	9	4%	0
Sell	Sell	0	0	0%				
<b>TOTAL:</b>			<b>230</b>	<b>100%</b>		<b>230</b>	<b>100%</b>	<b>1</b>

**Stock Price Chart of Rating and Target Price Changes:**

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. If the latest date is different than the report date, then the price is as of the previous day's close. The action reflected in this note is not annotated in the stock price chart. Source: FactSet and JMP Securities.

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On Demand Software – Update

March 10, 2008

## SuccessFactors, Inc. <sup>(1,3)</sup>

Johnny Anonymous Loses Round One

### MARKET OUTPERFORM

SFSF \$8.11

Price	\$8.11	<b>FY: Dec</b>		<b>2007A</b>	<b>2008E</b>	<b>2009E</b>
Target Price	\$12.00	Revenue (M)	1Q	\$12.4	\$21.2	\$33.2
52-Wk Range	\$7.49 - \$15.27		2Q	\$15.0	\$23.4	\$35.7
Shares Out. (M)	49.7		3Q	\$16.7	\$26.6	\$41.2
Market Cap. (M)	403.1		4Q	\$19.2	\$31.1	\$46.0
Average Daily Vol. (000)	–		<b>FY</b>	<b>\$63.4</b>	<b>\$102.4</b>	<b>\$156.2</b>
Float (M)	–					
Secular Growth Rate	–			<b>2007A</b>	<b>2008E</b>	<b>2009E</b>
LT Debt (M)	\$0.0	EPS	1Q	(\$0.34)	(\$0.41)	(\$0.40)
LT Debt/Total Cap.	0.0%		2Q	(\$0.40)	(\$0.44)	(\$0.40)
Net Cash/Share	\$1.77		3Q	(\$0.48)	(\$0.41)	(\$0.37)
			4Q	(\$0.49)	(\$0.39)	(\$0.40)
			<b>FY</b>	<b>(\$1.73)</b>	<b>(\$1.64)</b>	<b>(\$1.56)</b>
			P/E	NM	NM	NM
		Previous FY		–	NC	NC
		<b>CY</b>		<b>(\$1.73)</b>	<b>(\$1.64)</b>	<b>(\$1.56)</b>
		P/E		–	–	–

NC indicates no change to previous estimate. NE indicates no previous estimate.

Source: Company reports and JMP Securities

### INVESTMENT HIGHLIGHTS

- **We maintain our Market Outperform rating and \$12 price target on SuccessFactors.** Last week, an anonymous person circulated a presentation that was highly critical of SuccessFactors. The part of the presentation that concerned us the most was five case studies regarding alleged problems with customer implementations. On Friday, we had the opportunity to speak to one of those five customers. Suffice it to say, the claims appear to be unfounded. We have placed calls to the other companies but had not heard back as of the time of this note. We look for non-GAAP EPS of (\$1.64) in 2008, versus the consensus of (\$1.66). We look for non-GAAP EPS of (\$1.56) in 2009 versus the consensus of (\$1.53). SuccessFactors trades at a 2009 EV/revenue of 2.0x versus the peer group median of 2.5x. Our new \$12 price target implies a 2009 EV/revenue multiple of 3.4x, about a 10% premium to the peer group median of 3.1x, which we believe is justified given SuccessFactors' industry-leading growth rate.

**FOR DISCLOSURE AND FOOTNOTE INFORMATION, REFER  
TO THE JMP FACTS AND DISCLOSURES SECTION**

## INVESTMENT RISKS

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A number of risks could prevent SuccessFactors from achieving our price target. First, SuccessFactors has incurred significant losses including \$21 million in 2005, \$32 million in 2006, and \$49 million in the first nine months of 2007. Much of the losses were due to investments in sales and marketing to grow the business. Sales marketing expenses were 127% of revenue in 2005, 99% in 2006, and 112% in the first nine months of 2007. The business model also affects the profitability because costs are generally incurred up front, while the revenue is generally recognized ratably over the life of the contract. Second, over the past few years, SuccessFactors has operated in a period of decreasing US unemployment rates and a strong domestic economy. If unemployment begins to rise and the US economy enters a recession, there is a risk that some of the urgency around SuccessFactors' solutions may fade and the company may see lengthening sales cycles, which would be likely to negatively impact operating results. Third, SuccessFactors sells into a highly fragmented and price competitive HR market with relatively low barriers to entry.

## COMPANY DESCRIPTION

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SuccessFactors is a provider of on-demand performance and talent management software solutions that enable organizations to optimize the performance of their people. The company has over 1,400 customers across over 60 industries, with more than two million end users in over 150 countries using the application suite in 18 languages. The customer base has organizations with as few as three and as many as 85,000 end users.

FIGURE 1: SuccessFactors Revenue Drivers

	2007				2007	2008E				2009E						
	2006	Q1	Q2	Q3		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Revenue	32,570	12,391	15,004	16,744	19,211	63,350	21,230	23,477	26,600	31,075	102,382	33,222	36,739	41,220	46,020	156,201
% y/y	150%	97%	127%	101%	70%	95%	71%	56%	59%	62%	62%	56%	52%	55%	48%	53%
Billings	59,712	16,843	21,790	27,638	45,735	112,006	28,564	35,532	43,938	66,000	174,034	44,100	53,295	65,265	95,875	258,535
% y/y	118%	118%	100%	95%	70%	88%	70%	63%	59%	44%	55%	54%	50%	49%	45%	49%
Change in deferred revenue	27,142	4,452	6,786	10,894	26,524	48,656	7,334	12,056	17,338	34,925	71,652	10,878	17,556	24,045	49,855	102,334
Total Customers	850	1,003	1,167	1,400	1,750	1,750	1,930	2,115	2,375	2,750	2,750	2,940	3,135	3,435	3,835	3,835
Net New Customers	509	153	164	233	350	900	180	185	260	375	1,000	190	195	300	400	1,085
Revenue / Customer	38.3	12.4	12.9	12.0	11.0	48.1	11.0	11.1	11.2	11.3	44.6	11.3	11.4	12.0	12.0	40.7
Billing / Customer	70.2	16.8	18.7	19.7	26.1	81.3	14.8	16.8	18.5	24.0	63.3	15.0	17.0	19.0	25.0	67.4
Source: Company reports and JMP Securities																

Source: Company reports and JMP Securities

FIGURE 2: SuccessFactors Income Statement

	2007				2008E				2009E							
	2006	Q1	Q2	Q3	Q4	2007	Q1	Q2	Q3	Q4	2008E	Q1	Q2	Q3	Q4	2009E
Revenue	32,570	12,391	15,004	16,744	19,211	63,350	21,230	23,477	26,600	31,075	102,382	33,222	35,739	41,220	46,020	156,201
y/y growth	150%	97%	127%	101%	70%	95%	71%	56%	59%	62%	62%	56%	52%	55%	48%	53%
Cost of revenue	14,307	4,998	5,618	6,339	8,939	25,894	9,200	9,500	9,700	10,000	38,400	10,700	11,300	11,500	12,000	45,500
Gross profit	18,263	7,393	9,386	10,405	10,272	37,456	12,030	13,977	16,900	21,075	63,982	22,522	24,439	29,720	34,020	110,701
Gross margin	56%	60%	63%	62%	53%	59%	57%	60%	64%	68%	62%	68%	68%	72%	74%	71%
Operating Expenses:																
Sales & marketing	31,966	13,408	15,420	19,209	20,657	68,694	23,200	27,000	29,000	32,000	111,200	34,000	36,000	40,000	46,000	156,000
% of revenue	98%	108%	103%	115%	108%	108%	109%	115%	109%	103%	109%	102%	101%	97%	100%	100%
Research & development	10,545	3,511	3,580	4,017	5,104	16,212	5,500	5,600	5,700	5,800	22,600	6,100	6,200	6,300	6,400	25,000
% of revenue	32%	28%	24%	24%	27%	26%	26%	24%	21%	19%	22%	18%	17%	15%	14%	16%
General & administrative	7,188	2,514	4,493	5,368	5,527	17,902	5,400	5,400	5,400	5,500	21,700	5,600	5,700	5,800	5,900	23,000
% of revenue	22%	20%	30%	32%	29%	28%	25%	23%	20%	18%	21%	17%	16%	14%	13%	15%
Total operating expenses	49,699	19,433	23,493	28,594	31,288	102,808	34,100	38,000	40,100	43,300	155,500	45,700	47,900	52,100	58,300	204,000
Operating Income (loss)	(31,436)	(12,040)	(14,107)	(18,189)	(21,016)	(65,352)	(22,070)	(24,024)	(23,200)	(22,225)	(91,519)	(23,178)	(23,461)	(22,380)	(24,280)	(93,299)
Operating margin	-97%	-97%	-94%	-109%	-109%	-103%	-104%	-102%	-87%	-72%	-89%	-70%	-66%	-54%	-53%	-60%
Gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense and other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income (expense)	372	(56)	(231)	(169)	(367)	(823)	1,000	1,100	1,100	1,100	4,300	1,000	1,000	1,000	1,000	4,000
Pre-tax income (loss)	(31,064)	(12,096)	(14,338)	(18,358)	(21,383)	(66,175)	(21,070)	(22,924)	(22,100)	(21,125)	(87,219)	(22,178)	(22,461)	(21,380)	(23,280)	(89,299)
Income taxes	(42)	(28)	(31)	(61)	(305)	(425)	-	-	-	-	-	-	-	-	-	-
Income tax rate																
Net income (loss)	(31,106)	(12,124)	(14,369)	(18,419)	(21,688)	(66,600)	(21,070)	(22,924)	(22,100)	(21,125)	(87,219)	(22,178)	(22,461)	(21,380)	(23,280)	(89,299)
Fully Diluted Shares Outstanding	32,957	35,415	35,816	38,669	43,855	38,463	51,800	52,260	53,510	54,760	53,070	55,520	56,580	57,770	58,540	57,110
							18%	36%	3%	5%	38%	1%	7%	4%	3%	8%
Non-GAAP EPS	\$ (0.94)	\$ (0.34)	\$ (0.40)	\$ (0.48)	\$ (0.49)	\$ (1.73)	\$ (0.41)	\$ (0.44)	\$ (0.41)	\$ (0.39)	\$ (1.64)	\$ (0.40)	\$ (0.40)	\$ (0.37)	\$ (0.40)	\$ (1.56)
Source: Company reports and JMP Securities																

Source: Company reports and JMP Securities



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FIGURE 3: SuccessFactors Balance Sheet

Assets								
Current assets:								
Cash and cash equivalent	15,281	13,005	10,047	7,702	4,202	22,574	17,675	26,172
Marketable securities	2,456	3,195	4,565	9,432	4,889	9,357	12,833	22,804
Accounts Receivable	421	278	453	484	534	969	1,377	2,532
Deferred commissions short term	485	581	738	1,355	2,411	2,771	3,388	1,038
Prepaid expense and other current assets	18,643	17,059	15,803	18,973	12,036	35,671	35,273	52,546
Total Current Assets	134	144	152	295	303	559	872	934
Restricted cash	648	1,063	1,260	1,442	1,910	2,140	2,281	3,082
Property and equipment, net	182	314	424	1,039	-	-	-	3,115
Deferred commissions	110	5	2	3	3	939	939	1,067
Other assets	19,717	18,605	17,641	21,752	14,252	39,309	39,365	60,744
Total Assets								
Liabilities, convertible preferred stock, and stockholders' deficit								
Current:								
Accounts payable	734	874	1,329	803	1,727	2,000	1,694	1,608
Accrued expenses and other current liabilities	2,680	3,893	4,938	1,608	5,576	6,945	8,710	2,400
Accrued employee compensation	6,898	7,830	9,382	14,143	28,634	30,945	36,784	11,566
Deferred revenue	98	128	130	107	83	61	36	36
Current portion of capital obligations	10,410	12,725	15,779	23,263	34,020	39,951	47,224	57,633
Total current liabilities	81	193	159	126	118	106	98	90
Capital lease obligations, net of current portion	-	-	-	-	-	-	-	9,711
Long-term debt	5,399	6,128	7,343	11,069	-	-	-	10,331
Deferred revenue, non-current	-	-	-	-	-	1,242	1,218	1,496
Convertible preferred stock warrant liability	-	-	-	-	-	-	-	289
Other long-term liabilities	-	-	-	-	-	-	-	-
Total liabilities	15,809	18,853	23,122	34,458	34,138	41,299	48,540	79,550
Commitments and contingencies								
Convertible preferred stock	20,387	20,383	20,383	20,383	20,383	45,296	45,289	45,289
Stockholders' deficit	4	4	4	4	5	5	6	6
Common stock	511	573	637	728	1,046	1,252	1,473	1,758
Additional paid in capital	(8)	(8)	(8)	(8)	(78)	(9)	(13)	(9)
Notes receivable from stock holder	-	-	-	-	-	3	2	9
ATA	(17,067)	(21,393)	(26,856)	(33,813)	(41,242)	(48,533)	(55,952)	(65,859)
Accumulated deficit	(16,560)	(20,824)	(26,023)	(33,089)	(40,269)	(47,282)	(54,484)	(64,095)
Total stockholders' deficit	19,636	18,412	17,482	21,752	14,252	39,313	39,345	60,744
Total liabilities, convertible preferred stock ad stockholders' deficit								
Key Metrics:								
Cash	15,415	13,149	10,199	7,997	4,505	23,133	18,547	27,106
Total Debt	15,415	13,149	10,199	7,997	4,505	23,133	18,547	27,106
Net Cash	12,297	13,958	16,725	25,212	26,634	30,945	36,784	52,546
Deferred revenue	14%	14%	20%	51%	6%	16%	19%	42%
% q/q	1,456	1,661	2,767	8,487	1,422	4,311	5,839	15,570
Change in Deferred Revenue								
Net Cash / share								
Source: Company reports and JMP Securities								

FIGURE 4: SuccessFactors Statement of Cash Flows

	2004		2005		2006		2007				2008				2009			
	Q1	Q4	Q1	Q4	Q1	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Operating Activities</b>																		
Net income	(5,293)	(20,820)	(32,046)	(12,619)	(16,363)	(20,181)	(26,291)	(75,454)	(22,870)	(24,824)	(24,100)	(23,325)	(95,119)	(24,478)	(24,961)	(23,980)	(26,280)	(98,698)
Adjustments to net income:																		
Depreciation and amortization	168	432	868	333	500	544	796	2,173	300	300	300	300	1,200	300	300	300	300	1,200
Loss on retirement of equipment	-	6	-	-	-	-	156	156	2,000	2,000	2,000	2,000	8,000	4,000	4,000	4,000	4,000	16,000
Amortization of deferred commissions	557	1,019	2,042	734	860	1,016	1,453	4,083	2,000	2,000	2,000	2,000	8,000	2,300	2,500	2,600	3,000	10,400
Stock-based compensation	75	211	817	450	578	1,813	1,777	4,418	2,000	2,000	2,000	2,500	8,500	2,300	2,500	2,600	3,000	10,400
Amortization of debt issuance costs	-	-	-	96	99	103	1,616	1,916	-	-	-	-	-	-	-	-	-	-
Adjustment to fair value of warrants	-	-	-	(53)	1,317	46	1,200	2,510	-	-	-	-	-	-	-	-	-	-
Amortization of intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred stock warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Changes in Assets and Liabilities</b>																		
Accounts receivable	(3,723)	(3,272)	(13,372)	2,394	(3,280)	282	(18,664)	(19,286)	2,500	(2,500)	(2,500)	(12,000)	(14,500)	2,500	(4,000)	(3,000)	(15,000)	(19,500)
Deferred commissions	(883)	(2,821)	(5,295)	(977)	(1,553)	(2,305)	(5,123)	(9,958)	(2,000)	(2,000)	(2,000)	(6,000)	(14,000)	(3,000)	(3,000)	(3,000)	(8,000)	(17,000)
Prepaid and other current assets	(5)	(227)	(554)	(415)	(187)	(531)	(1,238)	(1,309)	(2,000)	(2,000)	(2,000)	(6,000)	(14,000)	(3,000)	(3,000)	(3,000)	(8,000)	(17,000)
Other assets	(1)	1	(1,241)	(8)	(88)	(588)	388	(286)	-	-	-	-	-	-	-	-	-	-
Accounts payable	113	498	805	1,100	1,334	1,038	(1,881)	1,791	1,500	1,500	1,500	1,500	8,000	2,500	2,500	2,500	2,500	10,000
Accrued expenses	634	482	875	390	1,837	1,388	550	4,165	7,334	12,056	17,338	34,925	71,852	10,878	17,556	24,045	49,855	102,334
Accrued compensation	1,216	3,913	4,964	(3,317)	849	2,692	6,475	6,899	(9,236)	(11,468)	(5,463)	(2,100)	(28,287)	(5,000)	(5,105)	3,465	10,375	3,735
Deferred revenue	3,917	14,371	27,142	4,452	6,786	10,894	26,524	48,656	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Other long-term liabilities	-	1,248	1,248	235	393	835	(193)	1,270	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Net cash provided by operating activities	(2,485)	(5,945)	(13,811)	(7,203)	(6,918)	(2,092)	(12,255)	(28,468)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
<b>Investing activities</b>																		
Restricted cash	(121)	(168)	(639)	(48)	(104)	(185)	307	(30)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Capital expenditures	(271)	(1,197)	(2,102)	(1,519)	(1,016)	(1,345)	(1,595)	(5,475)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Purchase of available-for-sale securities	-	-	-	(2,205)	(500)	(9,513)	(1,218)	(2,705)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Sale of available-for-sale securities	-	-	-	125	1,755	110	715	2,705	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
Net cash used by investing activities	(392)	(1,365)	(2,741)	(3,647)	135	(1,420)	(9,086)	(14,018)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,500)	(2,500)	(2,500)	(2,500)	(10,000)
<b>Financing activities</b>																		
Proceeds from convertible preferred stock, net	4,938	8,442	24,906	65	122	188	4,952	5,227	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Proceeds from exercises of stock options	28	51	144	-	-	20	-	20	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Proceeds from stock warrants	-	-	70	-	-	10,000	-	10,000	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Proceeds from debt	-	-	10,000	-	-	10,000	-	10,000	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Proceeds from IPO, net of offering	(3)	(133)	(107)	(19)	(1)	(7)	(8)	-38	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Principal payments on capital lease obligations	-	-	-	-	-	-	-	-	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Repayment of loan obligation	-	-	-	-	-	-	-	-	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Net cash (used in) provided by financing	4,961	8,360	35,013	46	121	10,337	89,037	98,641	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
Effect of exchange rate on cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net increase in cash</b>	2,084	1,050	18,470	(10,802)	(6,858)	6,846	66,716	56,102	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
<b>Cash at beginning of period</b>	4,568	6,652	7,702	26,172	15,370	8,712	15,558	28,172	82,274	71,038	57,570	50,108	46,008	9,741	2,241	2,241	(5,364)	(4,399)
<b>Cash at end of period</b>	6,652	7,702	26,172	15,370	8,712	15,558	82,274	82,274	71,038	57,570	50,108	46,008	9,741	2,241	2,241	(5,364)	(4,399)	(4,399)
<b>Free Cash Flow</b>	(2,756)	(7,142)	(15,913)	(8,722)	(7,834)	(3,437)	(13,850)	(33,943)	(11,236)	(13,468)	(7,463)	(4,100)	(36,287)	(7,500)	(7,605)	965	7,875	(6,265)
<b>Free Cash Flow Per Share</b>	(2.80)	(4.90)	(6.65)	(0.25)	(0.22)	(0.09)	(0.32)	(0.88)	(0.22)	(0.26)	(0.14)	(0.07)	(0.68)	(0.14)	(0.13)	0.02	0.13	(0.12)

Source: Company reports and JMP Securities

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## JMP FACTS AND DISCLOSURES

### Analyst Certification:

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### Publicly Traded Companies Mentioned in This Report:

SuccessFactors, Inc. (1,3), SFSF, \$8.11, Market Outperform.

### JMP Securities Disclosure Definitions:

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### JMP Securities Investment Opinion Definitions:

Strong Buy (SB): JMP Securities expects the stock price to appreciate 20% or more on an absolute basis over the next 6 months.

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

Market Perform (MP): JMP Securities expects the stock price to perform in-line with relevant market indices over the next 12 months.

Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

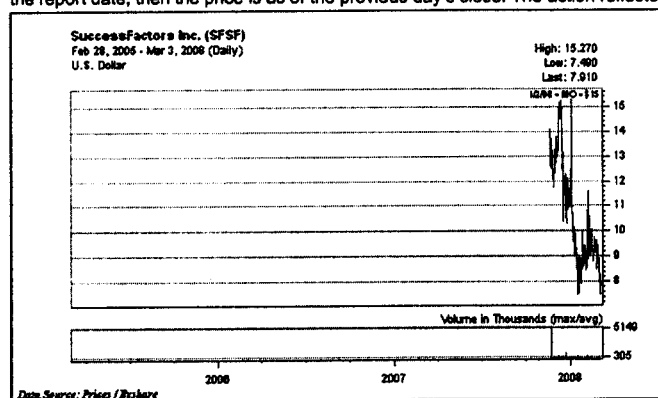
Sell (S): JMP Securities views the stock as a source of funds

### JMP Securities Research Ratings and Investment Banking Services: (as of March 4, 2008)

JMP Rating	Regulatory Equivalent	# Co's Under Coverage	% of Total	Regulatory Rating	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months	% of Co's With This Rating
Strong Buy	Buy	0	31	13%				
Market Outperform	Buy	1	107	47%	Buy	138	60%	1
Market Perform	Hold	0	83	36%	Hold	83	36%	0
Market Underperform	Sell	0	9	4%	Sell	9	4%	0
Sell	Sell	0	0	0%				
<b>TOTAL:</b>			<b>230</b>	<b>100%</b>		<b>230</b>	<b>100%</b>	<b>1</b>

### Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. If the latest date is different than the report date, then the price is as of the previous day's close. The action reflected in this note is not annotated in the stock price chart. Source: FactSet and JMP Securities.



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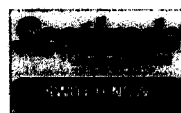
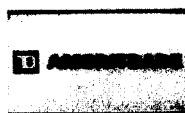
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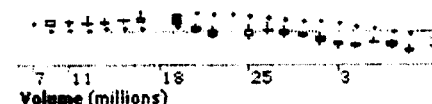
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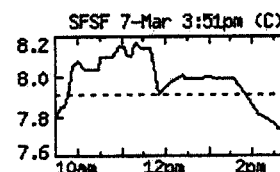
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13 UNITED STATES DISTRICT COURT

14 NORTHERN DISTRICT OF CALIFORNIA

15 SAN FRANCISCO DIVISION

16  
17  
18 SUCCESSFACTORS, INC., a Delaware  
corporation,

19 Plaintiff,

20 v.

21 SOFTSCAPE, INC., a Delaware  
corporation; and DOES 1-10, inclusive,

22 Defendants.

Case No. CV 08-1376 EDL

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Time:

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Judge:

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Trial Date: No date set

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26 BERNSHTEYN IN SUPPORT OF PLAINTIFF'S *EX PARTE* APPLICATION FOR  
27 A TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE  
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16  
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18 Patrick E. Premo

19 Attorneys for Plaintiff SUCCESSFACTORS, INC.

20 1281731